

# Peace Officers' Retirement, Accident and Disability System

Interim Public Retirement Systems Committee

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11/09/11

# Governance

- Board of Trustees
  - Commissioner of Public Safety – Larry L. Noble (Chairperson)
  - Treasurer of State – Michael Fitzgerald
  - Governor's Appointee – Chris Maier, Actuary (Principal Insurance)
  - Active Member Representative – Trooper Robert Conrad
  - Retired Member Representative – Jack Wissler (Sergeant)
- *Iowa Code, 97A*
- *Iowa Administrative Code - 661*

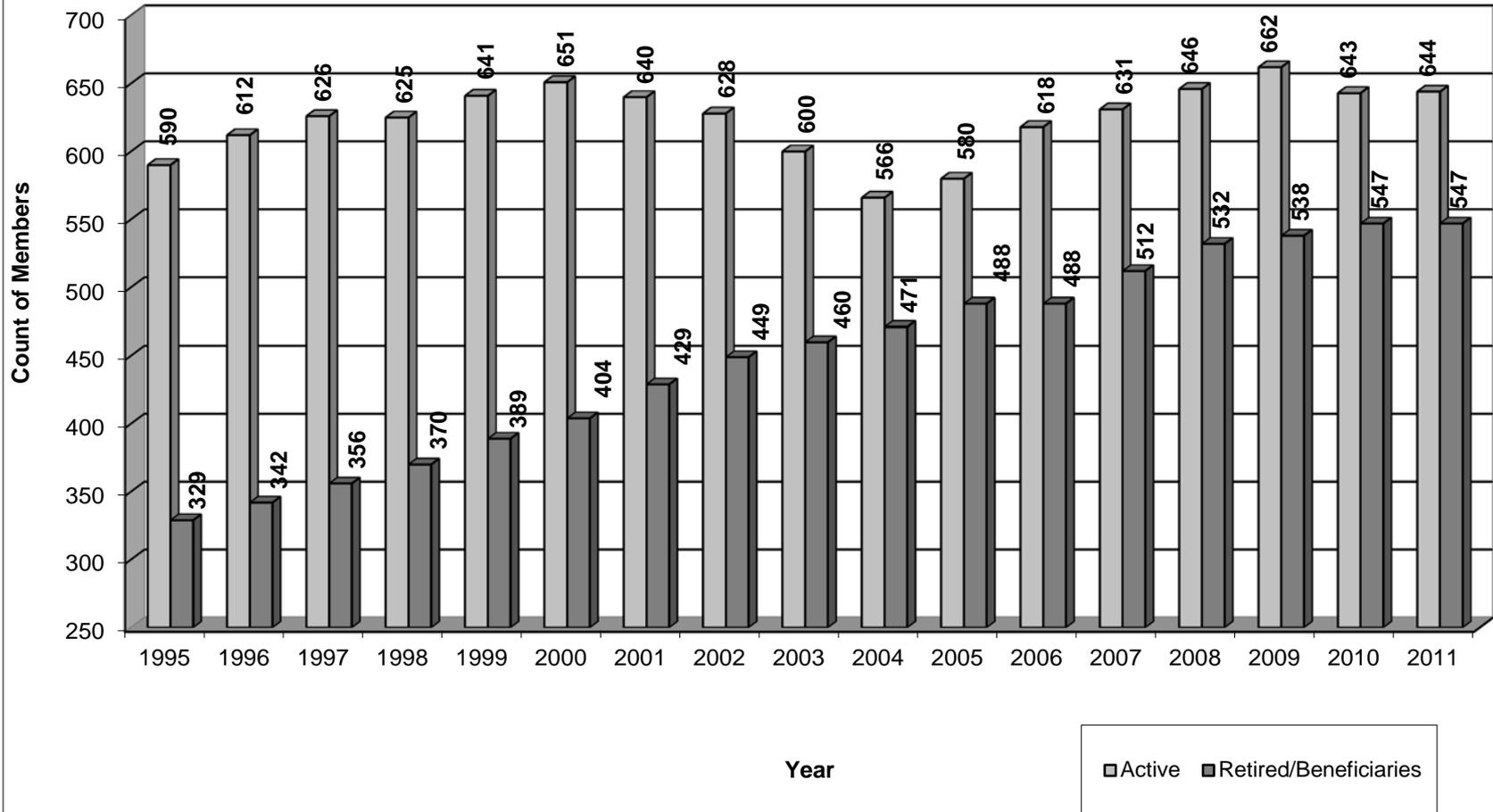
## Active Membership

- Sworn peace officers of the Iowa Department of Public Safety
  - Iowa State Patrol
  - Division of Criminal Investigation
  - Division of Narcotics Enforcement
  - State Fire Marshal

# Plan Overview

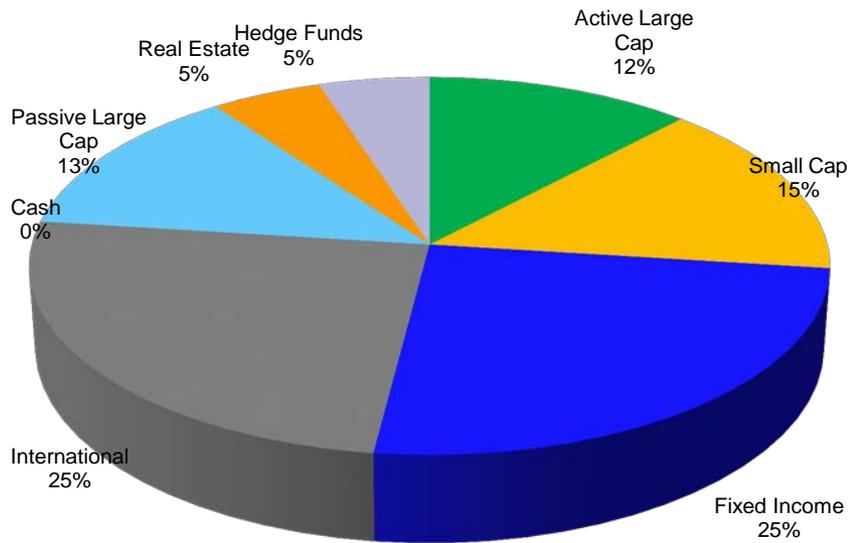
- Defined Benefit Plan
- Benefit based on years of service and highest 3 years of Average Final Compensation (bi-weekly pay + longevity + meal allowance)
- Service Retirement with 7 optional benefit selections
- Accidental and Ordinary Disability Benefits
- Accidental and Ordinary Death Benefits
- Maximum benefit 88% of high 3 years
- Escalation of benefits (COLA) provided based on wages for active members of the same rank and on years since retirement
- Line of Duty Death Benefit of \$100,000
- Earnings while a member of POR are exempt from Social Security (if sworn after March 1986 must pay Medicare 1.45%)

Peace Officers' Retirement  
Membership as of July 1

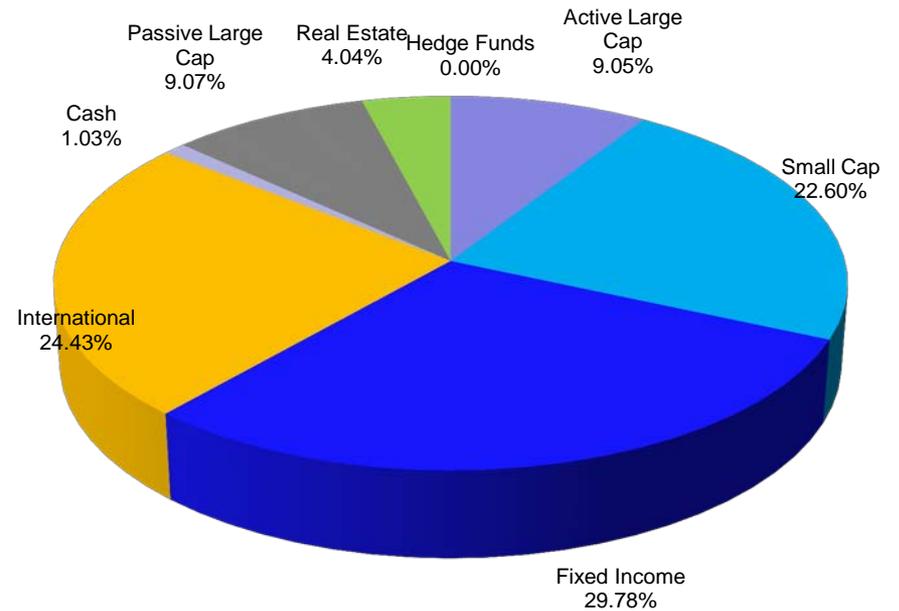


# Current Asset Allocation

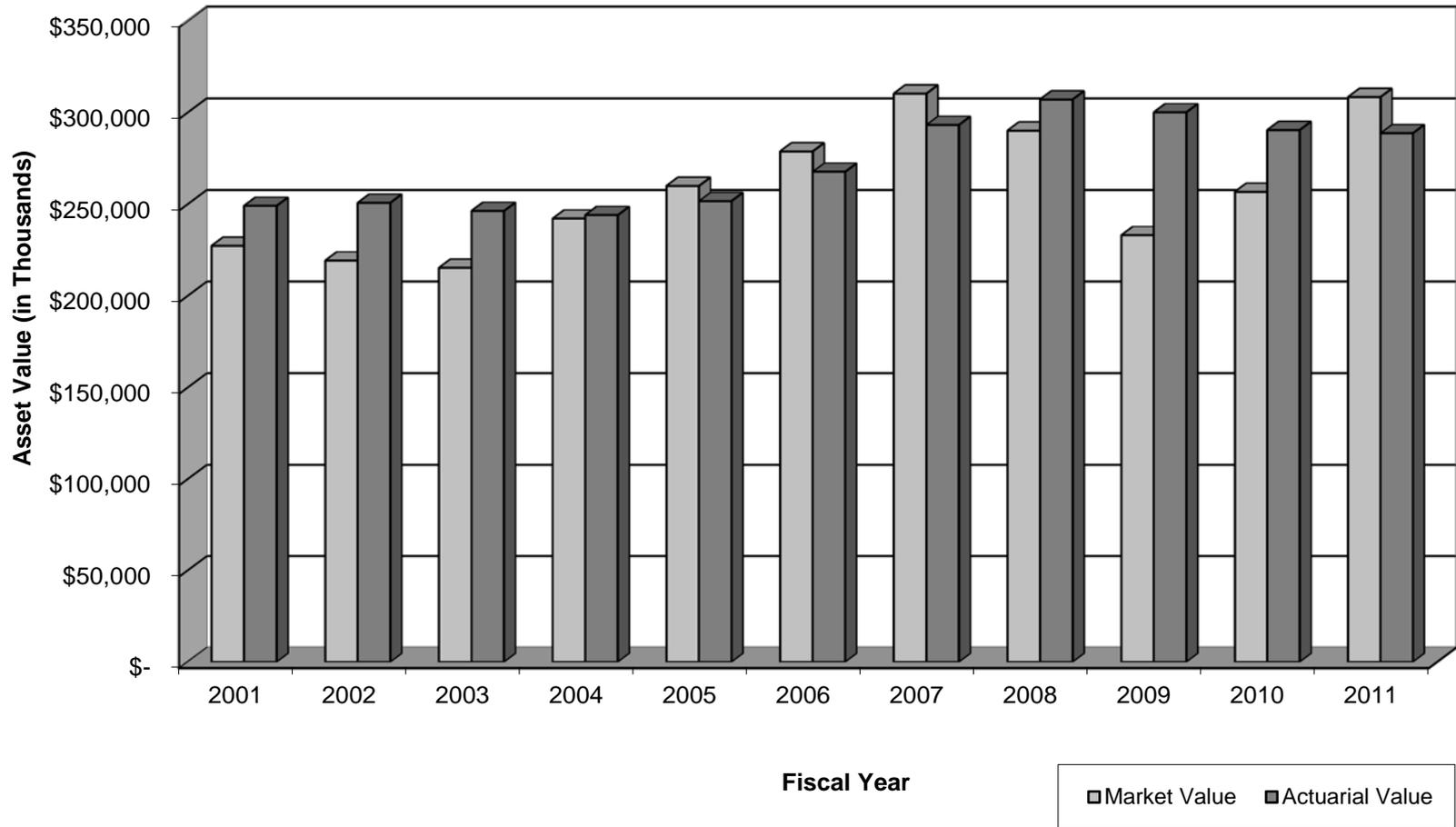
## Target Allocation



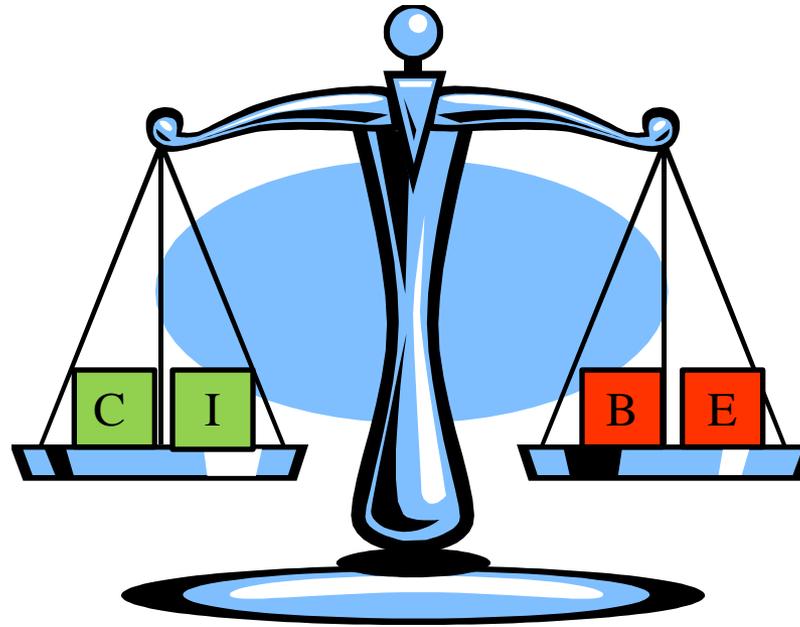
## Actual Allocation



**Peace Officers' Retirement  
Value of Assets - Market and Actuarial**



# Funding a Retirement Program



C = Contributions  
I = Investment Income

B = Benefits  
E = Expenses

# Actuarial Terminology

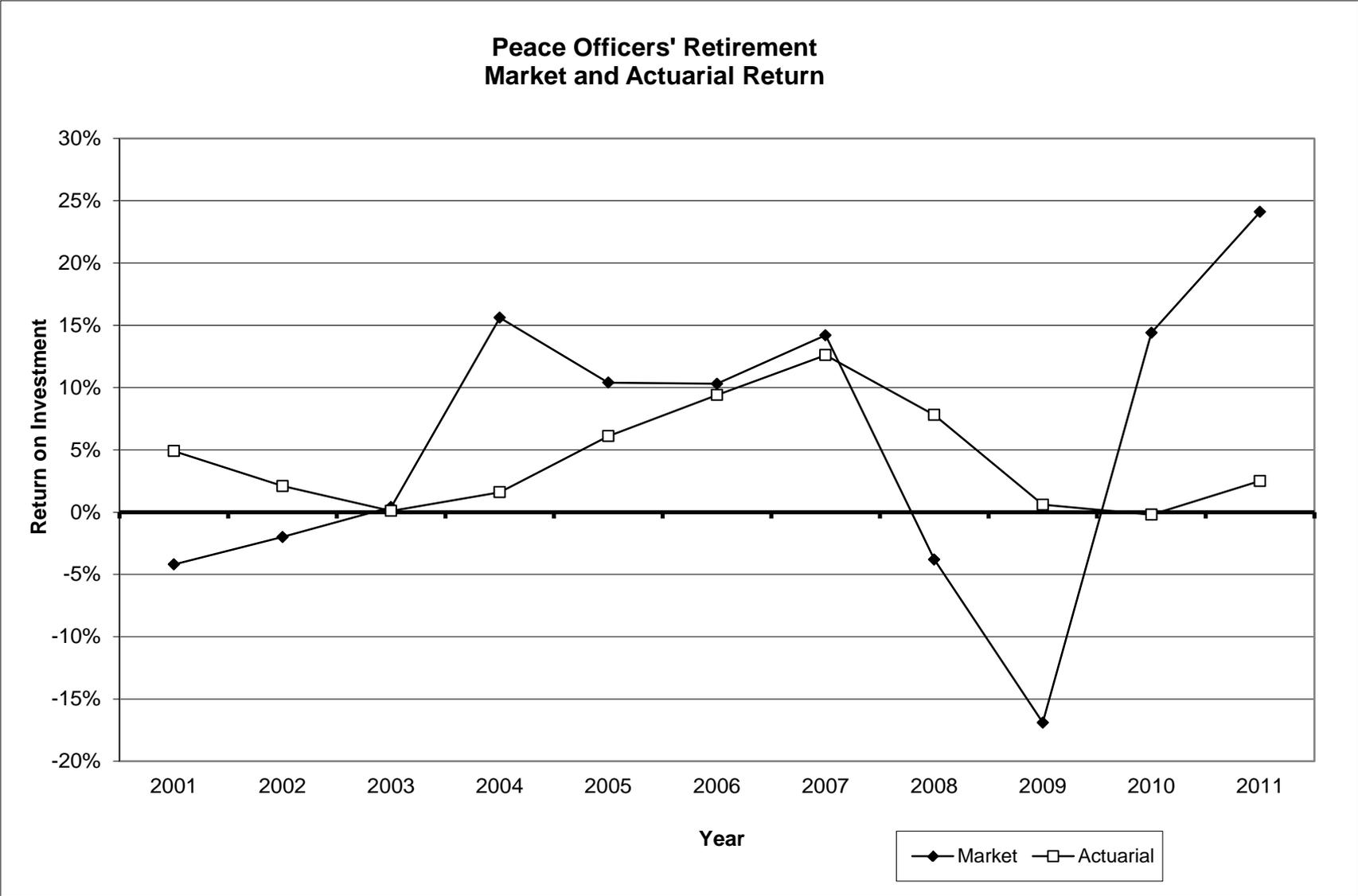
- Total Liability: value of future benefit payments in today's dollars
- Normal Cost: allocation of future benefit cost to current year of service worked by active members
- Actuarial Liability: Target asset value based on the financing mechanism, assumptions, benefit structure and membership

# Actuarial Terminology

- Actuarial Assets: Smoothed value of assets used in the valuation process
- Unfunded Actuarial Liability (UAL): Actuarial Liability minus Actuarial Assets
- Actuarial Contribution Rate = Sum of Normal Cost and UAL Payment

# Actuarial Valuation Process

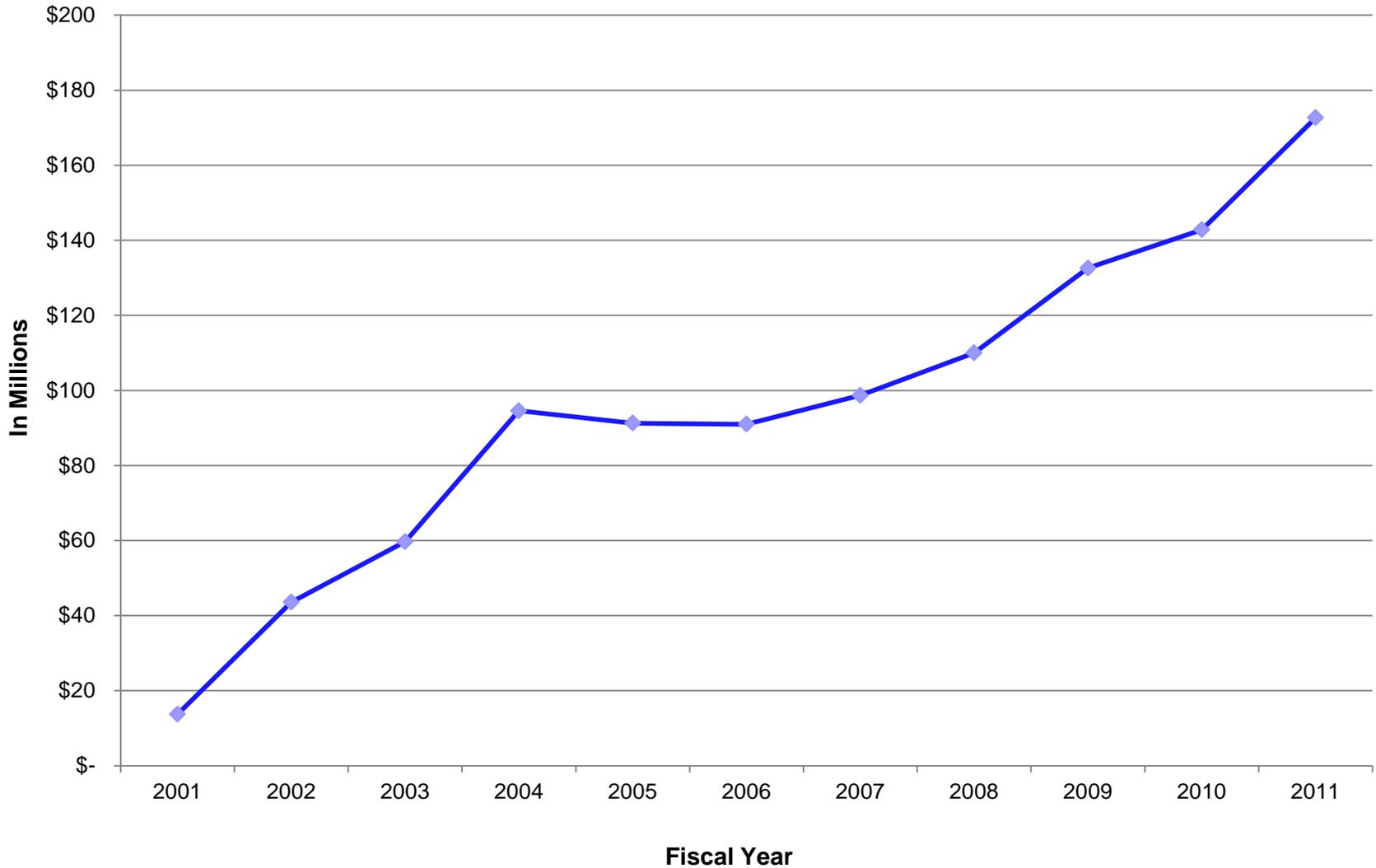
- Calculation of Liabilities (present value of future benefits)
- Allocate to past, current and future years of service
  - Past: actuarial accrued liability (AAL)
  - Current: normal cost
  - Future: future normal cost
- Calculate actuarial value of assets (AVA)
- Calculate unfunded actuarial accrued liability (UAAL)
- Actuarial contribution rate
  - Normal Cost
  - UAAL contribution

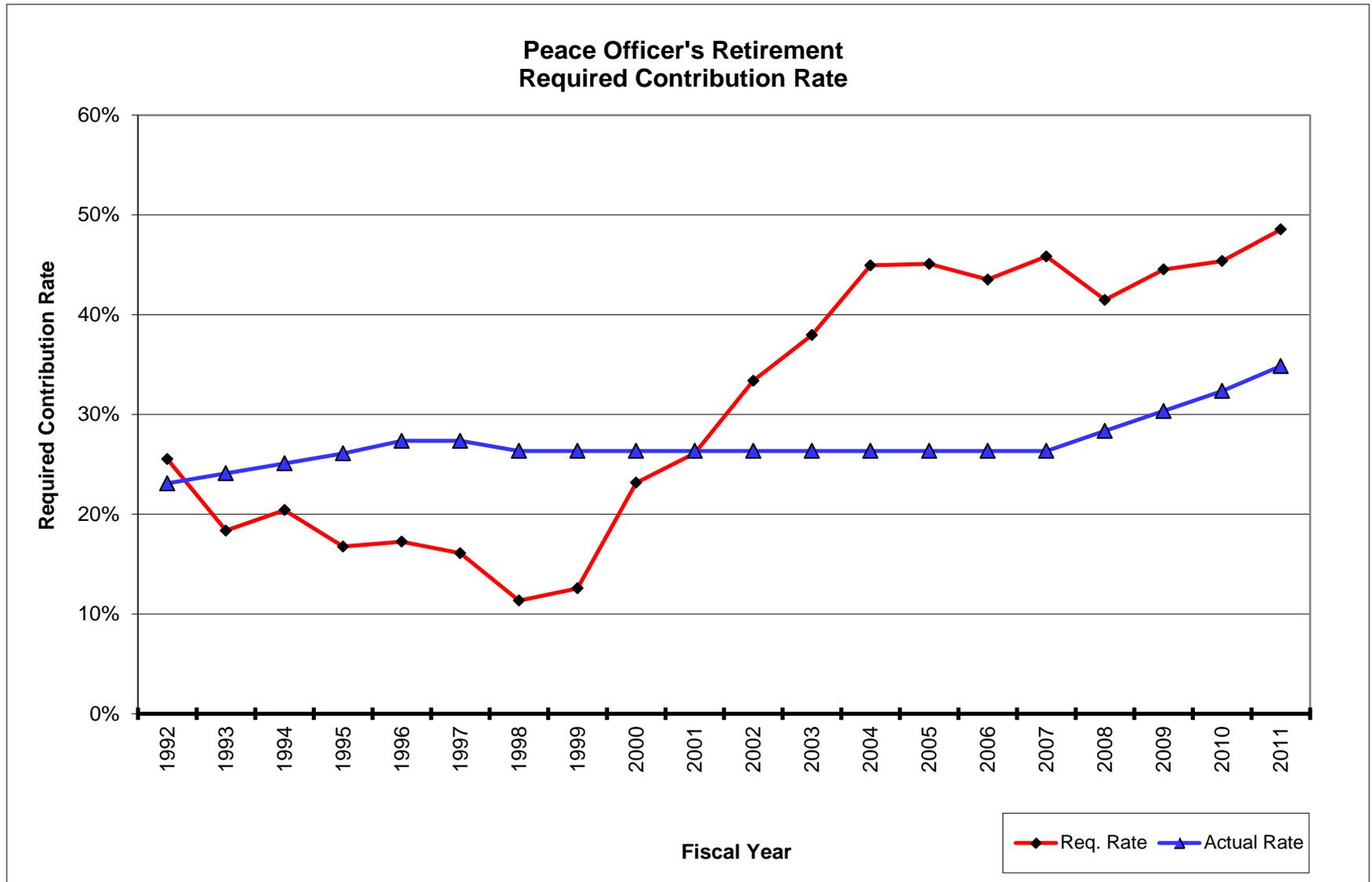


## Key Measures (\$ in Millions)

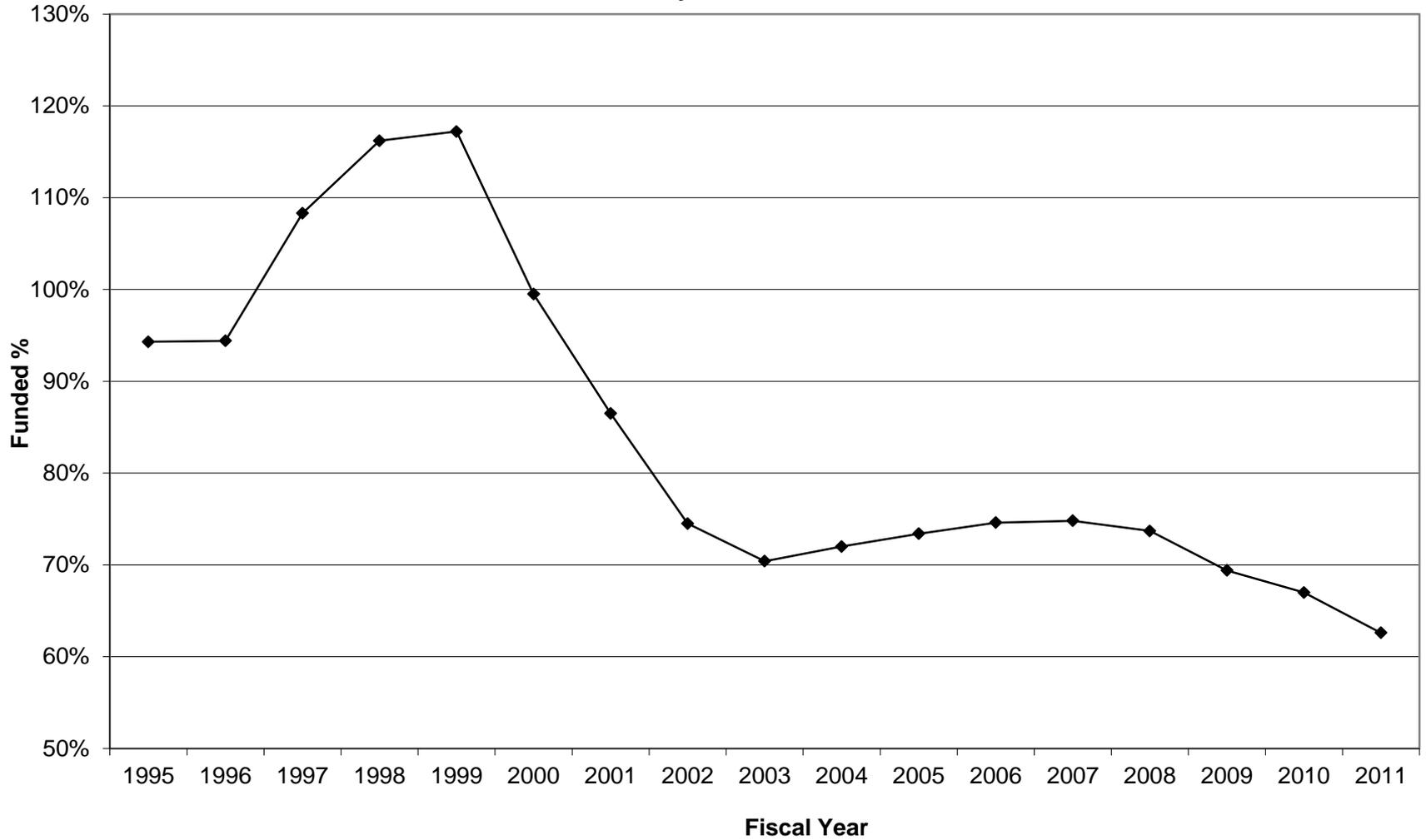
	<u>July 1, 2011</u>	<u>July 1, 2010</u>
Actuarial Accrued Liability	\$ 462	\$ 433
Actuarial Assets	<u>289</u>	<u>291</u>
Unfunded AAL	\$ 173	\$ 142
Funded Ratio (AVA)	62.6%	67%
Market Value Assets	\$309	\$257
Funded Ratio (MVA)	66.9%	59.3%

# Unfunded Actuarial Accrued Liability





**Peace Officers' Retirement  
Summary of Funded Ratio**



# 2010 Session Changes

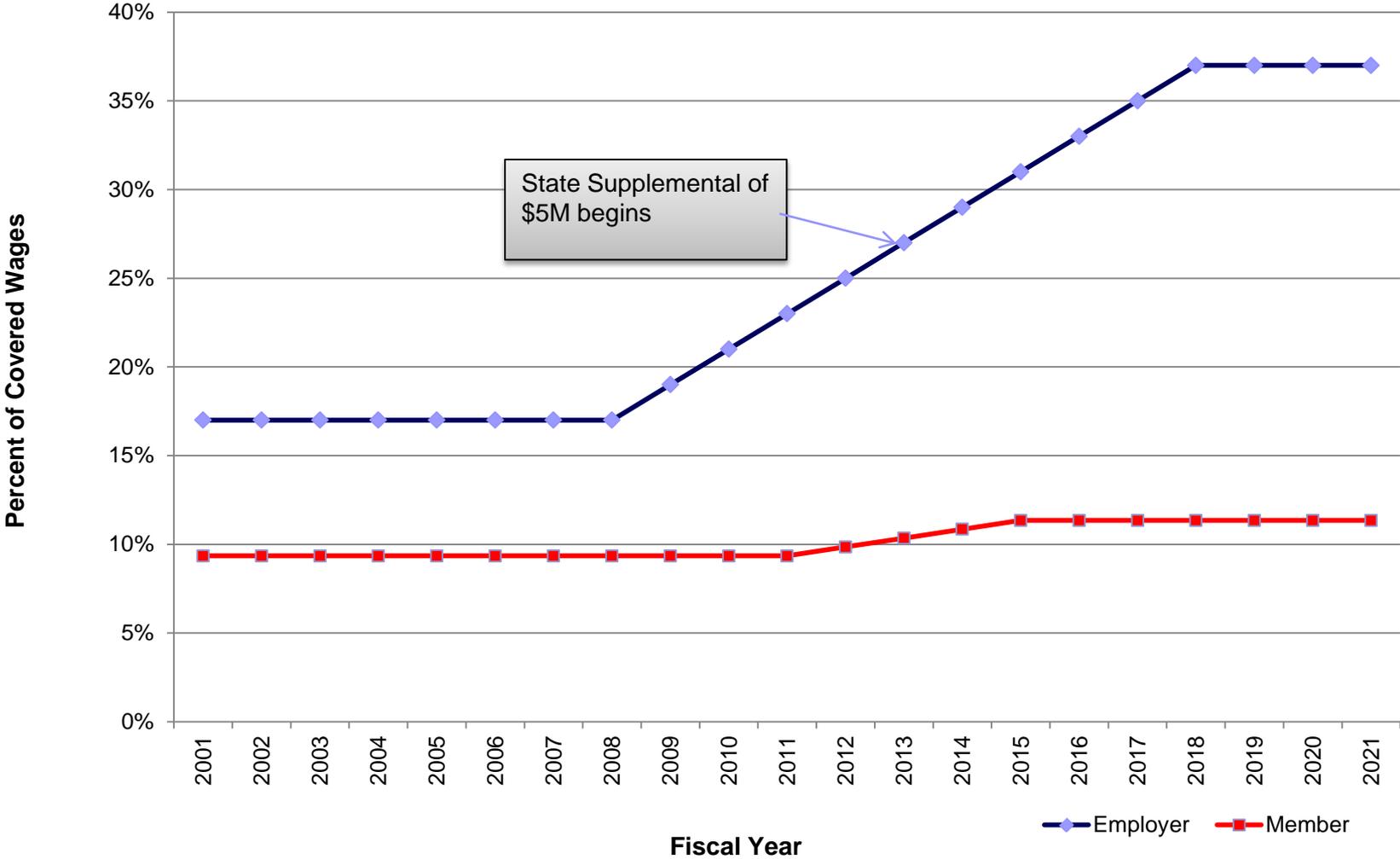
## ■ Benefit Structure

- Reduced the # of years disability retirement counted as service credit if restored to active duty to 2, rather than unlimited.
- Clarified the adjustment of pensions pursuant to 97A.6(14)(a)(2a), otherwise known as the flat escalator. Estimated impact on the required contribution rate of 2.24%, or an annual savings of \$940,000.

## ■ Contributions

- Extended the annual 2% increase in employer contribution rate from FY2012 to FY2017, increasing to 37% (up from 27%)
- Provided a supplemental general fund appropriation of \$5,000,000 beginning in fiscal year 2013 until the funded ratio reaches 85%
- Increased the employee contribution rate by 2% points over four years from 9.35% to 11.35%

Peace Officers' Retirement System  
Statutory Contribution Rates  
Fiscal Years 2001 - 2021



# Effect of 2010 Changes

